

LAW OFFICES

15 West South Temple, Suite 1200 Gateway Tower West Salt Lake City, Utah 84101 (801) 257-1900 Fax: (801) 257-1800 www.swlaw.com JUN 2 2 2006

DIV. OF OIL, GAS & MINING

SALT LAKE CITY, UTAH

INCOMING

PHOENIX, ARIZONA

TUCSON, ARIZONA

IRVINE, CALIFORNIA

DENVER, COLORADO

LAS VEGAS, NEVADA

Denise A. Dragoo (801) 257-1998 ddragoo@swlaw.com

June 22, 2006

Via E-Mail and Hand Delivery CONFIDENTIAL – NOT FOR PUBLIC DISTRIBUTION

Mary Ann Wright
Associate Director, Mining
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Refer to Confidential 0622006 file in CO070013. 2006 for additional information

RE: Class II Cultural Inventory – Lila Canyon Extension, UtahAmerican Energy, Inc., Horse Canyon Mine C/007/0013

Dear Mary Ann:

Enclosed on behalf of UtahAmerican Energy, Inc. ("UEI"), is the report prepared by Montgomery Archaeological Consultants, Inc. ("Montgomery") on the "Class II Cultural Resource Inventory of the Lila Canyon Mine's Area of Potential Subsidence, Emery County, Utah." A hard copy of this report is also being provided to you by Montgomery. Although the inventory sampling design focuses on areas most likely to contain rock shelters and other standing structures, Montgomery documented all in-period cultural resources regardless of site type. Inventory at p. 6. The cultural resource inventory resulted in documenting two new archeological sites (42Em3622 and 42Em3623) and recordation of three previously recorded sites (42Em1121, 42Em1337 and 42Em1339). These sites are all recommended as "not eligible" for the National Register of Historic Places. The inventory concludes that there are no standing structures or rock shelters present at these sites and proposes a determination of "no historic properties affected" for the undertaking, i.e., the Lila Canyon Project.

As set forth in the letter dated May 24, 2006, from the Utah State Historic Preservation Office ("SHPO"), Montgomery's sampling proposal of areas likely to contain rock shelters and granaries was accepted as an appropriate first step towards identifying cultural resources in the project area that could be adversely affected by subsidence. The Class II inventory has confirmed that there are no additional rock shelters or standing structures in the project area which will be adversely affected by subsidence. Therefore, Montgomery has not recommended that UEI augment its sampling plan. In addition, enclosed is a letter from Jody Patterson with Montgomery responding to the comments from the consulting parties attached to your letter dated June 12, 2006.



Mary Ann Wright June 22, 2006 Page 2

UEI has now completed the cultural inventory for the Lila Canyon Extension and is ready to proceed with approval of a process to implement the data recovery plan for site number 42Em2517. Montgomery will update a data recovery plan on this site originally prepared for the SHPO and dated November 13, 2001. We understand that this data recovery plan will be included in a memorandum of agreement ("MOA") which defines a process for implementing the plan, to be signed by the SHPO, the federal Office of Surface Mining, the Utah Division of Oil, Gas & Mining (the "Division"), the federal Bureau of Land Management and UEI. Please let me know if you would like us to prepare a draft MOA for the Division's review.

Finally, prior to public distribution of the report, we request that the Division remove references to the location of cultural sites.

Please contact Jay Marshall at UEI or me if you have further questions.

Very truly yours,

Denise A. Dragoo

DAD:jmc:401707 Enclosures

cc: Jay Marshall (via e-mail, with enclosures)
Keith Montgomery (via e-mail, without enclosures)
Jody Patterson (via e-mail, without enclosures)

Steve Alder, Esq. (via e-mail, with enclosures)

Permit Change New Permit Renewal Exploration Bond Release Transfer Transfer					
Permittee: Utah American Energy, Inc.					
Mine: Lila Canyon Extension, Horse Canyon Mine	Permi	it Number: _(C/007/013		
Title:					
Description , Include reason for application and timing required to implement:					
Add Class II Cultural Inventory to Confidential Binder	***************************************				
Instructions: If you answer yes to any of the first eight (gray) questions,	this application may re	equire Public No	otice publication.		
Yes ⋈ No 1. Change in the size of the Permit Area? Acres: Yes ⋈ No Solve the application submitted as a result of a Division of the Permit Area? Acres: Solve the application submitted as a result of a Division of the application include operations outside a prevent of the properties of the application include operations in hydrologic to the properties of the application result from cancellation, reducting the properties of the application require or include public notice to the properties of the application require or include ownership, continuously the properties of the application submitted as a result of a Violation of the properties of the application submitted as a result of the properties of the application affect the surface landowner or the properties of the application require or include underground to the properties of the application affect the surface landowner or the properties of the application require or include underground the properties of the application affect the surface landowner or the properties of the application require or include underground the properties of the application affect the surface landowner or the properties of the application require or include underground the properties of the application affect the surface landowner or the properties of the application require or include underground the properties of the application affect the surface landowner or the properties of the properties o	order? DO# viously identified Cum basins other than as co on or increase of insura- publication? ntrol, right-of-entry, or or cemetery or 300 feet or regulations or polici	nulative Hydrolo urrently approve ance or reclamat r compliance inf t of an occupied es? g land use?	gic Impact Area? ed? tion bond? formation? dwelling?		
 Yes ⋈ No Yes ⋈ No Yes ⋈ No Does the application require or include underground design or mine sequence and timing? (Modification of R2P2) Yes ⋈ No Yes ⋈ No Yes ⋈ No Does the application have any effect on wildlife or vegetation outside the current disturbed area? Yes ⋈ No Does the application require or include soil removal, storage or placement? Does the application require or include vegetation monitoring, removal or revegetation activities? Yes ⋈ No Does the application require or include construction, modification, or removal of surface facilities? Yes ⋈ No Does the application require or include water monitoring, sediment or drainage control measures? Yes ⋈ No Does the application require or include certified designs, maps or calculation? Yes ⋈ No Does the application require or include subsidence control or monitoring? Yes ⋈ No Have reclamation costs for bonding been provided? Yes ⋈ No Does the application involve a perennial stream, a stream buffer zone or discharges to a stream? Yes ⋈ No Does the application affect permits issued by other agencies or permits issued to other entities? 					
Please attach four (4) review copies of the application. If the mine is o (5) copies, thank you. (These numbers include a copy for the Price Field Office)	n or adjacent to Fore	st Service land	please submit five		
I hereby certify that I am a responsible official of the applicant and that the information conta and belief in all respects with the laws of Utah in reference to commitments, undertakings.	ined in this application is tru	ue and correct to the	best of my information		
	d congations, nevent.	. 11			
Print Name Denise Duagoo Print Name Sig	n Name, Position, Date	ed, 4to	neg in tack		
Print Name Sign Name, Position, Date For Which American Energy, Inc. Subscribed and sworn to before me this 22 day of June, 20 do OC/22/06					
Noury Public My commission Expires: Attest: State of					
For Office Use Only:		UTAREceive by	Oil, Gas & Mining		
	Number:	RE	CEIVED		
			N 2 2 2006		
			IL, GAS & MINING		
	1	1			

Permit	tee: Utah Am	nerican Energy	y, Inc.		
Mine:					
Title:	tle: Class II Cultural Resource Inventory of the Lila Canyon Mine's Area of Potential Subsidence, Emery County,				
	Utah				
application of conte	ion. Individually	list all maps and plan, or other	to the Mining and Reclamation Plan, which is required as and drawings that are added, replaced, or removed from the information as needed to specifically locate, identify and a and drawing number as part of the description.	plan. Include changes to the table revise the existing Mining and	
-			DESCRIPTION OF MAP, TEXT, OR MATERIA	AL TO BE CHANGED	
Add	Replace	☐ Remove	Add Class II Cultural Inventory to Confidential Binder		
Add	Replace	Remove			
Add	Replace	Remove			
Add	Replace	Remove			
☐ Add	Replace	Remove			
Add Add	Replace	Remove			
☐ Add	Replace	☐ Remove			
☐ Add	Replace	Remove			
\square Add	Replace	Remove			
\square Add	Replace	Remove			
\square Add	Replace	Remove			
\square Add	Replace	Remove			
☐ Add	Replace	Remove			
☐ Add	Replace	Remove			
☐ Add	Replace	Remove			
☐ Add	Replace	Remove			
Add	Replace	Remove			
☐ Add	Replace	Remove			
Add	Replace	Remove			
Add	Replace	Remove			
Add	Replace	Remove			
Add	Replace				
Add	Replace				
☐ Add	Replace				
Add	- •				
Add	_	\Box			
Add	Replace				
Add	Replace	Remove			
Any other specific or special instruction required for insertion of this proposal into the Mining and Reclamation Plan. Received by Oil, Gas & Mining					
Prior to	Prior to public distribution, please remove references to the location of Cultural sites.				

Permit Change New Permit Renewal Exploration Bond Release Transfer				
Permittee: Utah American Energy, Inc.				
Mine: Lila Canyon Extension, Horse Canyon Mine	Permit Number: C/007/013			
Title:				
Description , Include reason for application and timing required to implement: Add Class II Cultural Inventory to Confidential Binder				
Aut Class II Cultural Inventory to Confidential Bridge				
Instructions: If you answer yes to any of the first eight (gray) questions, t	this application may require Public Notice publication.			
Yes No 1. Change in the size of the Permit Area? Acres:				
Yes No 2. Is the application submitted as a result of a Division C Yes No 3. Does the application include operations outside a prev				
Yes No 4. Does the application include operations outside a prev				
Yes No 5. Does the application result from cancellation, reduction				
Yes No 6. Does the application require or include public notice p				
Yes No 7. Does the application require or include ownership, cor				
Yes No 8. Is proposed activity within 100 feet of a public road of Yes No 9. Is the application submitted as a result of a Violation?				
Yes No 10. Is the application submitted as a result of a violation?				
Explain:				
Yes No 11. Does the application affect the surface landowner or c				
Yes No 12. Does the application require or include underground d Yes No 13. Does the application require or include collection and				
Yes No 14. Could the application have any effect on wildlife or ve				
Yes No 15. Does the application require or include soil removal, s	storage or placement?			
Yes No 16. Does the application require or include vegetation more	nitoring, removal or revegetation activities?			
Yes No 17. Does the application require or include construction, r				
Yes No 18. Does the application require or include water monitoring Yes No 19. Does the application require or include certified design				
Yes No 20. Does the application require or include subsidence cor				
Yes No 21. Have reclamation costs for bonding been provided?	č			
Yes No 22. Does the application involve a perennial stream, a stre				
Yes No 23. Does the application affect permits issued by other age	encies or permits issued to other entities?			
Please attach four (4) review copies of the application. If the mine is on (5) copies, thank you. (These numbers include a copy for the Price Field Office)	or adjacent to Forest Service land please submit five			
I hereby certify that I am a responsible official of the applicant and that the information contain	ned in this application is true and correct to the best of my information			
and belief in all respects with the laws of Utah in reference to commitments, undertakings, and	obligations, herein.			
Denise Dungoo Ky	in he days, a torner in tack			
Print Name Sign	Name, Position, Date			
Subscribed and sworn to before me this 22 day of, 20 do, 20 do	or With American Energy, Inc.			
Notary Public Notary Public				
My commission Expires: , 20 NOTARY PUBLIC				
Attest: State of } } ss: [Salt Lake City, Utah 84101 My Commission Expires			
For Office Use Only:	July 31, 2007 Assigned Tracking UTANE eived by Oil, Gas & Mining			
For Office osc Omy.	Number: RECEIVED			
	JUN 2 2 2006			
	DIV. OF OIL, GAS & MINING			
	· · · · · · · · · · · · · · · · · · ·			

Permittee: Utah American Energy, Inc.				
Title:	Class II Cultu Utah	ıral Resource	Inventory of the Lila Canyon Mine's Area of Potentia	al Subsidence, Emery County,
applicati	on. Individually	y list all maps an e plan, or other	to the Mining and Reclamation Plan, which is required as and drawings that are added, replaced, or removed from the information as needed to specifically locate, identify and an and drawing number as part of the description. DESCRIPTION OF MAP, TEXT, OR MATERIA	plan. Include changes to the table revise the existing Mining and
⊠ Add	Replace	Remove	Add Class II Cultural Inventory to Confidential Binder	
Add	Replace	Remove	And Chass if Cultural Inventory to Communicate Bridge	
Add	Replace	Remove		
Add	☐ Replace	Remove		
Add	Replace	Remove		
☐ Add	Replace	Remove	•	
Add	Replace	Remove		
Add	Replace	Remove		
Add	Replace	Remove		
Add	Replace	Remove		
Add	Replace	Remove		
Add	Replace	Remove		
Add	Replace	Remove		
Add	☐ Replace	Remove		
Add	Replace	Remove		
Add	Replace	Remove		
Add	Replace	Remove		
Add	☐ Replace	Remove		
Add	Replace	Remove		
Add	Replace	Remove		
Add	Replace	Remove		
	☐ Replace			
Add	☐ Replace			
Add	-		The state of the s	
Add	☐ Replace			
Add	Replace	Remove		
Add	Replace	_		
Add	Replace			
Add	Replace	Remove _		
Any other specific or special instruction required for insertion of this proposal into the Mining and Reclamation Plan. Received by Oil, Gas & Mining				
Prior to m	ublic distribution	n nlease remov	e references to the location of Cultural sites	RECEIVED
rior to public distribution, please remove references to the location of Cultural sites.			NECEIVED	
JUN 2				JUN 2 2 2006
				DIV. OF OIL, GAS & MINING

Permit Change New Permit Renewal Exploration Bond Release Transfer				
Permittee: Utah American Energy, Inc.				
Mine: Lila Canyon Extension, Horse Canyon Mine	Perm	it Number: C/007/013		
Title:				
Description , Include reason for application and timing required to implement:				
Add Class II Cultural Inventory to Confidential Binder				
Instructions: If you answer yes to any of the first eight (gray) questions,	his application may r	equire Public Notice publication.		
Yes No 1. Change in the size of the Permit Area? Acres:		increase decrease.		
Yes No 2. Is the application submitted as a result of a Division C		aulativa Uvdealagia Impaat Araa?		
Yes No 3. Does the application include operations outside a prev Yes No 4. Does the application include operations in hydrologic				
Yes No 5. Does the application result from cancellation, reduction				
Yes No 6. Does the application require or include public notice p				
Yes No 7. Does the application require or include ownership, con	ntrol, right-of-entry, o			
Yes No 8. Is proposed activity within 100 feet of a public road or		t of an occupied dwelling?		
Yes No 9. Is the application submitted as a result of a Violation?		,		
Yes No 10. Is the application submitted as a result of other laws o Explain:				
Yes No 11. Does the application affect the surface landowner or c				
Yes No 12. Does the application require or include underground of				
Yes No 13. Does the application require or include collection and Yes No 14. Could the application have any effect on wildlife or vo				
Yes No 15. Does the application require or include soil removal, s				
Yes No 16. Does the application require or include vegetation more				
Yes No 17. Does the application require or include construction, r				
Yes No 18. Does the application require or include water monitoring				
Yes No 19. Does the application require or include certified design				
Yes No 20. Does the application require or include subsidence con				
Yes No 21. Have reclamation costs for bonding been provided?				
Yes No 22. Does the application involve a perennial stream, a stre				
Yes No 23. Does the application affect permits issued by other age	encies or permits issu	ed to other entities?		
Please attach four (4) review copies of the application. If the mine is on (5) copies, thank you. (These numbers include a copy for the Price Field Office)	or adjacent to Fore	st Service land please submit five		
I hereby certify that I am a responsible official of the applicant and that the information contain	ned in this application is tr	ue and correct to the best of my information		
and belief in all respects with the laws of Utah in reference to commitments, undertakings, and				
Denise Dungoo Ky	: ha	2, attorner in fact		
	Name, Position, Date			
Subscribed and sworn to before me this 22 day of, 20 do	2 With A	nevicus Energy, Inc.		
anne de	•	<i>52.102</i>		
Notary Public	7.02			
My commission Expires: Attest: State of , 20 } ss: NOTARY PUBLIC JENNIFER E. AMES				
Attest: State of } } ss:	15 W. South Tem	Die, Ste. 1200		
	My Commission July 31,	2007		
For Office Use Only:		UTARE eived by Oil, Gas & Mining		
	Number:	RECEIVED		
		JUN 2 2 2006		
		DIV. OF OIL, GAS & MINING		

Permittee: Utah American Energy, Inc.				
Mine:				
Title:				
	Utah			
Provide a detailed listing of all changes to the Mining and Reclamation Plan, which is required as a result of this proposed permit application. Individually list all maps and drawings that are added, replaced, or removed from the plan. Include changes to the table of contents, section of the plan, or other information as needed to specifically locate, identify and revise the existing Mining and Reclamation Plan. Include page, section and drawing number as part of the description.				
			DESCRIPTION OF MAP, TEXT, OR MATERIA	L TO BE CHANGED
⊠ Add	Replace	Remove	Add Class II Cultural Inventory to Confidential Binder	
☐ Add	Replace	Remove		
Add A	Replace	Remove	`	
Add A	Replace	Remove		
☐ Add	Replace	Remove		
☐ Add	Replace	Remove		•
☐ Add	Replace	Remove		
☐ Add	Replace	Remove		
☐ Add	Replace	☐ Remove		
☐ Add	Replace	Remove		
☐ Add	Replace	Remove		
☐ Add	Replace	Remove		
☐ Add	Replace	☐ Remove		
☐ Add	Replace	Remove		
☐ Add	Replace	Remove		
☐ Add	Replace	☐ Remove		
☐ Add	Replace	Remove		
Add	Replace	Remove		
☐ Add	Replace	Remove		
Add	Replace	Remove		
☐ Add	Replace	Remove		
Add 🗌	Replace	Remove		
Add	Replace			
Add	Replace	Remove		4
Add	Replace	Remove		
Any other specific or special instruction required for insertion of this proposal into the Mining and Reclamation Plan. Received by Oil, Gas & Mining				
RECEIVED				RECEIVED
Prior to public distribution, please remove references to the location of Cultural sites.			JUN 2 2 2006	
				DIV OF CUI CLEAN
				DIV. OF OIL, GAS & MINING
				1

Permit Change New Permit Renewal Exploration Bond Release Transfer				
Permittee: Utah American Energy, Inc.				
Mine: Lila Canyon Extension, Horse Canyon Mine	Perm	it Number: C/007/013		
Title:				
Description , Include reason for application and timing required to implement:				
Add Class II Cultural Inventory to Confidential Binder				
Instructions: If you answer yes to any of the first eight (gray) questions	, this application may r	equire Public Notice publication.		
Yes ⋈ No 1. Change in the size of the Permit Area? Acres: Yes ⋈ No 3. Does the application include operations outside a pre Yes ⋈ No 4. Does the application include operations in hydrologi Yes ⋈ No 5. Does the application result from cancellation, reduct Yes ⋈ No 6. Does the application require or include public notice Yes ⋈ No Yes ⋈ No No Yes ⋈ No S. Is proposed activity within 100 feet of a public road Yes ⋈ No S. Is the application submitted as a result of a Violation Yes ⋈ No S. Is the application submitted as a result of other laws Explain:	Order? DO#eviously identified Cum c basins other than as c ion or increase of insur publication? ontrol, right-of-entry, o or cemetery or 300 feet? NOV #	nulative Hydrologic Impact Area? currently approved? ance or reclamation bond? or compliance information? t of an occupied dwelling?		
Yes ⋈ No 11. Does the application affect the surface landowner or Yes ⋈ No 12. Does the application require or include underground Yes ⋈ No 13. Does the application require or include collection an Yes ⋈ No 14. Could the application have any effect on wildlife or Yes ⋈ No 15. Does the application require or include soil removal, Yes ⋈ No 16. Does the application require or include vegetation m Yes ⋈ No 17. Does the application require or include construction, Yes ⋈ No 18. Does the application require or include water monito Yes ⋈ No 19. Does the application require or include certified desi Yes ⋈ No 20. Does the application require or include subsidence or Yes ⋈ No 21. Have reclamation costs for bonding been provided? Yes ⋈ No 22. Does the application involve a perennial stream, a stream, a stream, a stream, a stream in the stream in	design or mine sequend reporting of any base vegetation outside the ostorage or placement? onitoring, removal or modification, or removing, sediment or draingns, maps or calculation ontrol or monitoring?	ice and timing? (Modification of R2P2) eline information? current disturbed area? evegetation activities? val of surface facilities? tage control measures? on? charges to a stream? ed to other entities?		
Please attach four (4) review copies of the application. If the mine is of (5) copies, thank you. (These numbers include a copy for the Price Field Office)	on or adjacent to Fore	st Service land please submit five		
I hereby certify that I am a responsible official of the applicant and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein. Denise Dvagoo China Contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein. Sign Name, Position, Date Contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein.				
Notary Public	NOTARY I	DVIDV VO		
My commission Expires:, 20} Attest: State of} ss:	JENNIFER I	E. AMES		
County of	15 W. South Temp Salt Lake City, L My Commissio	Die, Ste. 1200		
	July 31, 2	UTARE eived by Oil, Gas & Mining		
For Office Use Only:	Number:			
		RECEIVED		
		JUN 2 2 2006		
		DIV. OF OIL, GAS & MINING		

Permittee: Utah American Energy, Inc.				
Mine:				t Number: C/007/013
Title:				
-	Utah			
			to the Mining and Reclamation Plan, which is required as	
			nd drawings that are added, replaced, or removed from the	
			information as needed to specifically locate, identify and and drawing number as part of the description.	revise the existing Mining and
Reciaina	tion Flan. Inclu	de page, section	rand drawing number as part of the description.	
			DESCRIPTION OF MAP, TEXT, OR MATERIA	AL TO BE CHANGED
⊠ Add	☐ Replace	Remove	Add Class II Cultural Inventory to Confidential Binder	
☐ Add	Replace	Remove		
☐ Add	Replace	Remove		
☐ Add	Replace	Remove		
Add 🗌	Replace	Remove		
Add 🗌	Replace	☐ Remove	•	
Add 🗌	Replace	Remove		
Add	Replace	Remove		
Add 🗌	Replace	☐ Remove		
Add 🗌	Replace	Remove		
Add	Replace	Remove		
Add	Replace	Remove		
Add 🗌	Replace	Remove		
Add	Replace	Remove		
Add	Replace	Remove		
Add	Replace	Remove		
Add	Replace	Remove		
Add	Replace	Remove		
] Add	Replace	Remove		
Add	Replace	Remove		
Add	☐ Replace	Remove		
Add	Replace	Remove		
Add	Replace			
Add	Replace			
Add	Replace			
☐ Add	Replace	Remove		
Add	☐ Replace	Remove		
Add	Replace	Remove		
ny othe	r specific or spe	ecial instructio	n required for insertion of this proposal into the	Received by Oil, Gas & Mining
Mining and Reclamation Plan.				
rior to n	rior to public distribution, please remove references to the location of Cultural sites. RECEIVED			
1101 to p	JUN 2 2 2006			
				DIV. OF OIL, GAS & MINING